the concept of optimal size of reserves depends on various factors. With the changing profile of capital flows, the traditional approach of assessing reserve adequacy in terms of import cover has been broadened to include other parameters, such as the size, composition, and risk profiles of various types of capital flows, as well as the likely external shocks to which the economy is vulnerable.

(c) The significant increase in forex reserves enabled prepayment of external debt on Government account amounting to US$ 2.9 billion in 2002-03 and US$ 3.8 billion in 2003-04.

(d) Does not arise.

Target of rural credit by Banks

280. SHRI S.S. AHLUWALIA: Will the Minister of FINANCE be pleased to state:

(a) whether it is a fact that despite RBI stipulations, flow of credit to agriculture and other rural enterprises from commercial banks both in public and private sector has been unable to achieve the annual targets perennially;

(b) if so, the reasons therefor;

(c) the steps contemplated, if any, by Government to ensure compliance of the target by the Banks; and

(d) the steps taken, if any, for implementation of the recommendations contained in the report of the Joint Committee on Revitalization Support to Co-operative Credit Structure headed by Shri Balasaheb Vikhe Patil as the then Union Minister of State for Finance?

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI S.S. PALANIMANICKAM): (a) and (b) A target of 18 per cent of Net Bank Credit has been stipulated for lending to agriculture under priority sector lending by domestic scheduled commercial Banks, both in the public and private sector. However, no target has been stipulated for lending to other rural enterprises by domestic Scheduled Commercial Banks. As reported by Reserve Bank of India (RBI) credit to agriculture by Public Sector Banks and Private Sector Banks has increased in absolute terms from Rs. 73,507 crore (15.3% of Net Bank Credit) and Rs. 11,873 crore (10.8 per cent of Net Bank Credit) respectively as on

31st March, 2003 to Rs. 85,782 crore (15.45% of Net Bank Credit) and Rs. 16,370 crore (12.25 per cent of Net Bank Credit) as on 31st March, 2004. The main reasons for the shortfall in agricultural credit as a percentage of NBC are:

(i) Bank credit to other sectors growing at a faster rate;

(ii) Drought situation in some parts of the country;

(iii) Crash in prices of some agricultural commodities adversely affecting the credit off-take in agriculture;

(iv) Low capital formation in agriculture resulting in poor credit absorption capacity in many areas;

(v) Write-off of non-performing loans leading to reduction in the outstanding advances in the case of some banks;

(vi) Absence of up-to-date land records in several states to facilitate provision of agricultural credit; and

(vii) Inability of the small and marginal farmers to provide the required collateral.

(c) RBI and National Bank for Agriculture and Rural Development (NABARD) have taken several steps to increase the flow of credit to agriculture. These include, formulation of Special Agricultural Credit Plans (SACPs), opening of Specialised Agricultural Finance Branches (SAFBs), implementation of the Kisan Credit Card (KCC) Scheme, introduction of scheme for financing agri-clinics and agri-business centres, introduction of scheme for financing farmers for purchase of land for agricultural purposes, introduction of produce marketing loans, loans for storage facilities, waiver of margin/security requirements, etc. Besides, during the current year, it is targeted to achieve a growth rate of 30% in disbursement of agriculture credit.

(d) NABARD had formulated a scheme of revitalization for co-operative credit structure taking into account the recommendations of the Capoor Committee and Vikhe Patil Committee. It was proposed to implement the scheme after an effective regulatory framework for cooperative credit institutions has been put in place. In order to find a durable solution it is proposed to set up a Task Force to examine the reforms required in the cooperative banking system including the appropriate regulatory regime. The Task force will submit its report by October 31, 2004.